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SUMMARY

### Development Fees in the San Francisco Bay Area: A Survey

Local government fees for new construction have increased in the Bay Area since the passage of Proposition 13. Fee increases have caused a great deal of concern, and much has been said about their impact on construction. To get more facts, ABAG surveyed the development fees charged by cities and counties. This report summarizes the findings, and makes some conclusions about the costs of fees across the Bay Area.

To get comparable information, four hypothetical buildings were proposed for construction: 1) a single-family home in a subdivision of 100 homes; 2) a seven unit apartment building; 3) a restaurant; and 4) a print shop. Using these projects, 55 cities and counties gave ABAG information on what they would charge to process permits. The communities involved in the survey represent a good cross-section--large and small, growing and stable, largely residential and what are known as "job-rich" areas.

Four kinds of fees were studied: 1) planning fees, such as those assessed for rezoning, environmental studies, and map approval; 2) building department fees, for building, mechanical, electrical and plumbing permits; 3) "growth-impact" fees, such as those assessed for parks, roadways and schools; and 4) utility charges for storm drain, sewer and water connections.

The findings may be summarized as follows:

- o There is an extremely wide variation in local government fees for residential, commercial and industrial construction across the region.
  - o Development fees are generally lowest in the inner core of older cities and suburbs in the Bay Area. They are highest in the outer zone of newer communities undergoing the most rapid development.
  - o The higher development fees in the rapidly growing areas are due to increases in growth-impact and utility costs, while planning and building fees remain stable across the region. These higher fees are used to help finance the facilities necessary for development, such as schools, roadways, parks, sewer and water systems.
  - o On a per unit basis, the growth-impact and utility connection fees for the seven unit multi-family dwelling are lower than those for the single-family home. It costs the developer less, on a per unit basis, to pay local government fees for higher density development.
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- o Cities with a high ratio of retail and industrial development to housing have lower development fees.
- o Cities which rank high in development fees for housing generally rank high in development fees for industrial and commercial construction when compared with other jurisdictions.

Based on the pattern of fee distribution, it is clear that the relationship between development fees, building prices, and rate of development is a complex one. This survey gathered information only on what local jurisdictions charge for development-related services. We do not know what impact development fees have on the decision to construct housing.

What we do know is that development fees are highest in communities undergoing the most rapid growth, and that units sold in such areas tend to be priced lower than units sold in areas of lower fees. Furthermore, in all areas, development fees are only a small percentage of total building costs. There are many reasons why more housing is being built in the outlying areas, land availability and land cost being two important ones. We can only speculate that in these areas high fees alone do not seem to act as a strong constraint on housing construction and that low fees alone do not seem to be producing housing in the inner areas.

The following are the findings for each of the four types of projects:

#### SINGLE-FAMILY HOME

The single-family home has three bedrooms and two baths, and is located in a subdivision of 100 such homes.

- o Total development fees for the single-family home in a project of 100 single-family homes, range from \$800 to \$5919, with a median total across the Bay Area of \$2777.
- o Planning fees show a wide variation in costs for the same services. Totals range from \$175 to \$20,475 for the subdivision of 100 single-family homes.
- o While most jurisdictions charge a flat rate per unit or per lot for planning services, several jurisdictions charge "staff time," or "time and materials" at a rate ranging from \$15 to \$32 per hour. Map fees and Environmental Impact Report processing are most likely to be charged based on staff time.
- o Building inspection fees do not vary as widely among jurisdictions as other fees, based as they most often are on the Uniform Building Code (UBC). The UBC presents tables for figuring the rates for building, plan check, mechanical, plumbing and electrical permits. Even so, total building permit fees, for example, range from \$254 to \$1688, and plumbing permit fees are as low as \$10 and as high as \$242.

- o Most jurisdictions charge some kind of growth-impact fee to the single-family home, with a wide range of from \$25 to \$4500 per home. The fees are for such facilities as parks and roadways; higher fees are charged in rapidly developing areas.
- o Of the 29 jurisdictions that charge a park dedication fee, six base the charge on the value of a certain amount of land per unit that must be set aside for a park (the developer has the option, usually taken, of paying an "in-lieu" fee rather than donating the land). The remainder charge a flat rate per unit.
- o Of the 55 respondents, twelve assess a school impact fee. Seventeen tax residential construction (based on a number of bedrooms, valuation, square footage or a flat rate per home). Eleven assess a variety of growth-impact fees: bridge, walkways, traffic impact, capital improvement. Again, the jurisdictions which charge these fees are usually among the fastest growing communities in the region.
- o Utility fees can vary widely, depending on whether they are to pay for new facilities, maintenance, and/or simply for the connection to the particular home. Water connection fees, for example, range from \$65 to \$2376, while five water districts do not charge for this service at all. The median utility connection (storm drain, sewer and water) is \$1489. Although almost all jurisdictions charge for utility connections, the fees are much higher in rapidly developing communities.

#### MULTI-FAMILY DWELLING

The multi-family dwelling contains seven units, and is assumed to be located in an area already properly zoned.

- o Fewer jurisdictions charge growth-impact fees for the multi-family dwelling: only 55% of the respondents, as compared with 70% for the single-family home. On a per unit basis, growth-impact fees for the multi-family building are lower than those for the single-family home. The median total of \$3485 for the seven unit building is not quite four times that of the median total for the single-family home.
- o Utility connection fees, based on either the size of the pipe or meter, or the number of units to be served, are also generally lower per unit. Water connection fees, for example, range from \$175 to \$9623. The median charge of \$2722 for a water connection fee is less than three times the median total of \$960 for a single-family home.
- o The median total development fee for the seven unit multi-family building is \$10,026, about three and one-half times the median total for a single-family home.



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RESTAURANT

The restaurant seats 48 people, and is assumed to be located in an area already zoned for commercial development.

- o Total development fees for the restaurant vary widely, from \$836 to \$17,931. The median total is \$3562.
- o Total planning fees also show a wide range, from \$20 to \$9275, with a median total of \$500.
- o A fee for a variance, necessary because the restaurant will be supplying six fewer parking spaces than the assumed required minimum, ranges from \$40 to \$560. However, one jurisdiction charges \$1500 per unprovided parking space in addition to a \$100 variance fee, for a total of \$9100.
- o Total building fees, as with the residential structures, show a relatively narrow range. The most common total is \$500, although seven jurisdictions charge over \$1000 for all their building permits.
- o Only seventeen jurisdictions (31%) charge any growth-impact fees to the restaurant, with totals ranging widely from \$42 to \$10,000. Most of the totals are below \$600, with a median total of \$312.
- o Three jurisdictions charge a park fee to the restaurant, ranging from \$42 to \$333. Other fees charged include a development tax, traffic impact fee, capital improvements tax, and, in one community, a bedroom tax (based on the square footage of the building).
- o Utility costs range widely. Water connection fees, for example, range from \$275 to \$13,899. The median total for all utility connections (storm drain, sewer, and water) is \$2148.

PRINT SHOP

The print shop is assumed to be located in an area already properly zoned.

- o Growth-impact fees are higher for the print shop than for the restaurant. This is mainly because many of these fees are based on the square footage of the building, and the print shop is considerably larger. However, only thirteen jurisdictions charge such fees to the print shop, while seventeen charged the restaurant.
- o Utility connection fees are also higher for the print shop than for the restaurant. The print shop was presumed to use more gallons of water per day operating its machinery, and several water districts base their connection fees on this measurement.
- o Other than these examples, development fees for the print shop are very similar to those of the restaurant.